Lazard
Global Managed Volatility Fund

Jan 2022
Factsheet

Lower Volatility
Seeks lower volatility than the benchmark over a full market cycle

Systematic Approach
Our quantitative approach focuses explicitly on risk reduction

Capital Growth Potential
Fully invested in equities across both developed and emerging markets for growth opportunities

Fund Facts

Number of stocks	238
Total Fund Size	$106.7m
Inception Date	31 January 2017
Total Management Costs	0.64%
Index	MSCI AC World
Minimum Investment	$20,000
Buy/Sell Spread	+0.20%/-0.20%
Distributions	Annually
APIR Code	LAZ1240AU

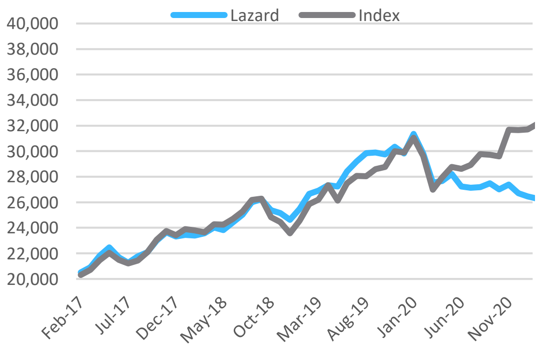
Investment Characteristics

	Lazard	Index
Sharpe Ratio (Since Inception)	1.1	1.3
Standard Deviation (Since Inception)	9.5	10.0
Beta	0.8	-
Dividend Yield (%)	2.4	1.8
Active Share (%)	84.9	-
Forward Price/Earnings	15.2	18.2

Performance (%)

	Lazard	Index	Excess Return
1 Month	-1.6	-1.9	0.3
3 Months	6.1	2.9	3.2
1 Year	24.1	23.3	0.8
3 Years (pa)	8.8	16.7	-7.9
5 Years (pa)	10.4	14.3	-3.9
Since Inception (pa)	10.4	14.3	-3.9

Growth of $20,000



Investments can go up and down. Past performance is not necessarily indicative of future performance. Fund returns are quoted after the deduction of Management Costs. Performance assumes reinvestment of all distributions.

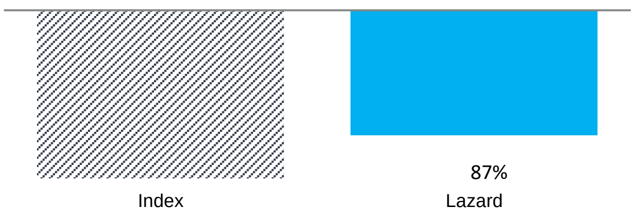
Allocations (%)

Sector	Lazard	Index	Overweight/ Underweight
Consumer Staples	18.0	6.9	11.1
Financials	9.2	14.8	-5.6
Communication Services	10.8	8.5	2.3
Energy	2.0	4.0	-2.0
Real Estate	5.6	2.7	2.9
Materials	3.6	4.7	-1.1
Health Care	15.8	11.4	4.4
Industrials	8.4	9.5	-1.1
Information Technology	11.1	22.8	-11.6
Consumer Discretionary	7.0	12.0	-5.0
Utilities	7.1	2.7	4.4
Cash	1.4	0.0	1.4
Region			
North America	57.5	63.9	-6.3
Continental Europe	6.6	12.4	-5.8
United Kingdom	2.2	3.7	-1.5
Asia Pacific ex-Japan	3.3	2.8	0.5
Japan	12.3	5.5	6.7
Middle East	0.2	0.2	0.1
Emerging Markets	16.4	11.5	4.9
Cash	1.4	0.0	1.4

Top 5 Holdings (%)

	Lazard	Index
Procter & Gamble	1.8	0.6
Roche	1.7	0.4
Loblaw Companies	1.5	0.0
Japan Post Bank	1.4	0.0
Metro	1.3	0.0

Down Market Capture Ratio



Down Market Capture Ratio is calculated since inception and based on performance gross of all fees. Down Market capture is a statistical measure of an investment manager's overall performance in down markets, being calendar months where the Index experiences negative performance. A drawdown ratio (or percentage) of less than 100 (or 100%) reflects that the manager has outperformed the Index during such down markets.

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Commentary

Global equity markets stumbled into 2022 and fell more than 5% (in USD terms) in January, their worst month since March 2020. However, while the markets have given up their gains from the second half of 2021, they remain more than 70% above their 2021 lows.

US Federal Reserve officials pointed to a path of steady interest rate increases in 2022, beginning in March, and the increasingly hawkish tone unnerved investors. High inflation and a tight labor market continue to be focal points for the Fed as it tries to achieve a balance between moderate economic growth and lower inflation. Increasing tensions over the potential for Russia to invade Ukraine and an escalation of Omicron COVID-19 infections after the holidays also contributed to a difficult month, particularly as the threat of a Russian invasion pushed oil prices ever higher.

Investors took little solace in January earnings reports even as 70% of the corporations that reported exceeded consensus expectations. Both the percentage of companies that beat estimates and their margin above estimates were below those in the very strong third quarter but were well above long-term averages. Interest rates moved higher across most markets, and most yield curves remained flat, with the notable exception of the United States. Technology and healthcare shares led the market decline, while higher oil prices and interest rates kept shares of energy and financial stocks in positive territory. Despite the strengthening US dollar and a very difficult 2021, emerging markets outperformed developed markets. Oil-dominated stock exchanges were market leaders for the month. Continental Europe was particularly weak.

Factor returns were remarkably consistent across markets as investors favored value measures to an overwhelming extent. Growth indicators were out of favor and detracted from performance across the globe. Sentiment measures, including price momentum and analysts' estimate revisions, were flat. Despite the market decline, quality measures lagged in January, which, in large part, is attributable to the strength of energy and financial stocks. Risk measures also showed mixed results, with both low volatility stocks and higher beta stocks outperforming. Different measurement periods partially explain this paradox: Beta is calculated on a three-year basis, while volatility is measured daily over 12 months.

Portfolio Review

The Lazard Global Managed Volatility Fund lost 1.6% (net of fees) during the month, outperforming its MSCI All Country World Index benchmark by 0.3%. Stock selection accounted for the excess return, sector positioning was flat. Stock selection was favorable in six of eleven sectors led by communication services and utilities. Selection was weakest in energy and health care. The underweights to information technology and consumer discretionary and overweight to consumer staples helped, which was offset by the underweights to financials and energy. Regionally, selection was strongest in Japan and Korea, and weakest in China and the US.

Stocks which made the largest contribution to return included Japan Post Bank, as Japanese Bank stocks have outperformed the TOPIX over the past month, as they moved in step with sharp rise in US long-term yields. As quantitative tightening takes off in the US, analysts expect the continued performance of Japanese bank stocks. Tokyo Gas, which raised its full-year 2022 guidance for recurring profits from ¥93.0bn to ¥103.0bn, versus ¥70.5bn in 2021 and our forecast of ¥83.1bn. Tokyo Gas Co also announced it would jointly develop 1 gigawatt of renewable power in the Nordic region with Danish energy supplier EWII by 2030. Coterra Energy, which benefited from the rising energy prices. Analysts also noted the company is aided by its low cost of supply, below average debt/EBITDA, as well as one of the highest base plus variable dividends in its peer group.

Detractors in the month included Zoetis and IDEXX Laboratories, as animal health stocks have been under pressure. There has been a significant decline in vet visits, owing to supply-related factors like labor shortfall due to COVID-19 concerns. Analysts expects this to be a small headwind in the first quarter, but labor concerns are anticipated to ease as the omicron wave dies down and vet staff returns. Novo Nordisk and Roche; both caught in the sell off as health care was one of the hardest hit sectors during a month of volatile trading due to investors' concern about rate hikes from the Fed. We continue to hold an overweight position on both names based on their favorable rankings.

Outlook

Entering the third year of the global pandemic, equity investors have benefitted from the extraordinary stimulus measures provided by the central banks, the medical community's response to controlling the virulence of the virus, new labor models and rising hopes for a return to a new normal would be in the offing. After the plunge in March, 2019, equity prices have nearly doubled, supported by corporate earnings growth and extraordinary levels of central bank liquidity in support of risk based assets. One has to go back to the late 1980s to find three consecutive years where equity returns have exceeded this most recent period.

Looking forward to 2022, we are optimistic that the darkest days of the pandemic are behind us with the increase in vaccinations and possible introduction of new therapeutics to treat severe cases. We expect that the economic recovery will be uneven but discernable across most regions and sectors. The market, continuously forward-looking, has already discounted much of the favorable news and reality may, in fact, disappoint at times. We believe that, global interest rates, led by the US and Europe, will increase as central banks rearm themselves for the next recession. And we believe that, government stimulus will slowly be withdrawn but remain well above historic norms. Inflationary pressures will likely subside slowly as labor shortages and social pressures to address economic inequalities place upward pressure on wages. While we are less sanguine about the market's absolute return in 2022, we do anticipate that earnings growth and low real rates of return in the fixed income markets will support a modestly positive equity market in 2022. Volatility will likely remain elevated as political tensions remain high and economic news will be more mixed. In our view, the market will continue to focus on company fundamentals and execution as was the case in the past year. Against this backdrop, we believe that the year should favor our investment approach and relative performance should remain strong.

For more information, call us on 1800 825 287
or visit www.lazardassetmanagement.com